

Message Text

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PAGE 01 STATE 209443
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E.O. 11652: N/A

TAGS: ETRD, EEWT, GE

SUBJECT: GDR EXPRESSES CONCERN ABOUT BILL FOR IMPOSING
TARIFF ON MONTAN WAX

1. SUMMARY: ON AUGUST 4, GDR EMBASSY OFFICIALS CALLED ON
ACTING DAS FOR EAST-WEST TRADE TO EXPRESS THE GDR'S
CONCERN ABOUT THE INTRODUCTION OF H.R. 13412. THE BILL
WOULD IMPOSE A TARIFF OF 17-20 PERCENT ON U.S. IMPORTS OF
UNREFINED MONTAN WAX. THE GDR IS A MAJOR SUPPLIER. BEWT
NOTED THAT ACTION ON THE BILL IS UNLIKELY IN THE CURRENT
CONGRESS. WE REQUESTED ADDITIONAL GDR PRODUCTION AND
MARKET SHARE INFORMATION IN THE EVENT USDOC IS ASKED TO
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PAGE 02 STATE 209443

COMMENT ON THE BILL, WHICH IS EXPECTED TO BE REINTRODUCED
IN THE NEXT CONGRESS. END OF SUMMARY.

2. GDR CHARGE D' AFFAIRES CLAUS MONTAG AND ACTING
COMMERCIAL COUNSELOR LOTHAR STRAGIES MET WITH ACTING
DAS FOR EAST-WEST TRADE J. MISHELL GEORGE AND OTHER BEWT
OFFICIALS TO CALL ATTENTION TO H.R. 13412 AND TO EXPRESS

THE GDR'S CONCERN ABOUT THE BILL.

3. CONGRESSMAN JOHN MCFALL (D-CALIFORNIA) INTRODUCED THE BILL ON JULY 11. THE BILL WOULD AMEND THE U.S. TARIFF SCHEDULE BY DIVIDING THE SINGLE DUTY-FREE MONTAN WAX CATEGORY INTO TWO PARTS -- QUOTE UNREFINED UNQUOTE AND QUOTE OTHER UNQUOTE -- AND PLACING A TARIFF OF DOLLAR POINT 065 PER POUND (A DUTY OF BETWEEN 17 AND 20 PERCENT) ON U.S. IMPORTS OF UNREFINED MONTAN WAX. MONTAN WAX IS USED IN MAKING CARBON PAPER. ACCORDING TO MCFALL'S REMARKS OUTLINING THE PROBLEM IN THE JULY 11 CONGRESSIONAL RECORD (COPY OF REMARKS, PRESS RELEASE, TEXT OF BILL, AND OTHER INFORMATION BEING POUCHED), THE BILL IS DIRECTED EXCLUSIVELY AGAINST GDR EXPORTS OF MONTAN WAX TO THE UNITED STATES, BECAUSE QUOTE THE DOMESTICALLY PRODUCED PRODUCT COSTS 36 PERCENT HIGHER IN NEW YORK THAN THE IMPORTED PRODUCT FROM A GOVERNMENT CONTROLLED COUNTRY. UNQUOTE.

4. AMERICAN LIGNITE PRODUCTS COMPANY (ALPCO), OF IONE, CALIFORNIA, IS THE SOLE U.S. PRODUCER OF MONTAN WAX. IN DISCUSSING ITS PROBLEM WITH MCFALL'S OFFICE, ALPCO HAS RAISED THE POSSIBILITY OF FILING AN ANTI-DUMPING COMPLAINT IN AN EFFORT TO PERSUADE THE GDR TO RAISE ITS PRICE FOR MONTAN WAX TO A LEVEL ALPCO VIEWS AS MORE COMPETITIVE WITH ITS OWN PRICE. SO FAR AS WE KNOW, LIMITED OFFICIAL USE

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PAGE 03 STATE 209443

NEITHER THE FIRM NOR MCFALL'S OFFICE HAS AS YET APPROACHED THE GDR EMBASSY WITH A REQUEST THAT THE GDR RAISE ITS PRICE FOR MONTAN WAX. (SEE PARA 8 BELOW.)

5. IN PRESENTING THE GDR'S VIEWS ON H.R. 13412, MONTAG OBSERVED THAT RAW MATERIALS ARE USUALLY IMPORTED DUTY FREE, AND THAT UNREFINED MONTAN WAX IS A RAW MATERIAL. HE POINTED OUT THAT IF THE BILL WERE TO BECOME LAW, THE TARIFF WOULD IMPOSE A REAL BURDEN ON THE GDR, SINCE MOST GDR EXPORTS ARE MANUFACTURED GOODS WHICH ALREADY FACE A STIFF U.S. TARIFF. HE RECOGNIZED THAT THE BILL HAD BEEN INTRODUCED TO AID THE SINGLE U.S. PRODUCER. HE QUESTIONED THE ACCURACY OF THE ARGUMENT PRESENTED IN THE STATEMENT IN THE CONGRESSIONAL RECORD, AND OBSERVED THAT MARKET AND OTHER FACTORS MORE SIGNIFICANT THAN THE PRICE CHARGED FOR MONTAN WAX FROM THE GDR HAVE CONTRIBUTED TO ALPCO'S PRESENT UNHAPPY ECONOMIC SITUATION. HE ALSO POINTED OUT THAT ALPCO LACKED THE CAPACITY TO PRODUCE ENOUGH MONTAN WAX TO MEET U.S. MARKET DEMAND, NO MATTER WHAT THE GDR DID. MONTAG CONCLUDED BY INQUIRING WHAT BEWT WOULD SUGGEST AS THE BEST WAY FOR THE GDR TO DEAL WITH THE PROBLEM PRESENTED BY H.R. 13412.

6. MISHELL GEORGE RESPONDED BY FIRST ASKING SEVERAL QUESTIONS WHICH ELICITED THE FOLLOWING: THE GDR HAS BEEN SELLING MONTAN WAX TO THE U.S. FOR ABOUT 13 YEARS AND HAS CONSISTENTLY HELD BETWEEN 40 TO 50 PERCENT OF THE U.S. DOMESTIC MARKET. IN RECENT YEARS, THE VOLUME OF GDR EXPORTS OF MONTAN WAX TO THE U.S. HAS DROPPED AS A RESULT OF THE OVERALL DECLINE IN MARKET DEMAND AND INCREASING COMPETITION FROM OTHER NATURAL WAXES AND SYNTHETIC WAXES. SUCH COMPETITION NOW ACCOUNTS FOR 10 TO 15 PERCENT OF THE MARKET. ONE CANNOT REALLY COMPARE THE PRICES OF THE OTHER WAXES TO THOSE FOR MONTAN WAX, SINCE THEIR PRODUCTION PROCESSES, CHEMICAL COMPOSITION, ETC., ARE TOO DIFFERENT. THE GDR HAS NOT CHANGED ITS PRICE FOR MONTAN WAX SINCE LIMITED OFFICIAL USE

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PAGE 04 STATE 209443

1976, ALTHOUGH ALPCO HAS RAISED ITS PRICE 18 PERCENT LAST YEAR, AN AMOUNT WELL IN EXCESS OF THE U.S. INFLATION RATE. THERE ARE TWO MINES IN THE GDR WHICH PRODUCE MONTAN WAX; THE WAX IS 80 PERCENT PURE. GDR PRODUCTION CAPACITY FOR THIS PRODUCT IS VIRTUALLY UNLIMITED.

7. WITH RESPECT TO H.R. 13412, GEORGE NOTED THAT THE BILL WAS INTRODUCED LATE IN A CROWDED LEGISLATIVE SESSION. NO ACTION HAD BEEN TAKEN ON THE BILL, NOR WAS ANY EXPECTED DURING THE CURRENT CONGRESS. A SENATE COMPANION BILL HAD NOT BEEN INTRODUCED. IF MCFALL IS REELECTED, THE BILL MAY BE REINTRODUCED IN THE NEXT CONGRESS. GEORGE FURTHER NOTED THAT IN THE EVENT THE COMMERCE DEPARTMENT IS ASKED TO COMMENT ON THE BILL (OR ITS SUCCESSOR), WE WOULD FIND IT HELPFUL TO HAVE ADDITIONAL GDR PRODUCTION, MARKET SHARE, PRICES, AND OTHER RELEVANT ECONOMIC INFORMATION ON THIS QUESTION. MONTAG UNDERTOOK TO SUPPLY US WITH AS MUCH OF THE REQUESTED INFORMATION AS POSSIBLE.

8. MCFALL'S LEGISLATIVE ASSISTANT (D-ANE) CONTACTED S?A?? (EB/EWT) AUGUST 7 TO INQUIRE WHETHER USG SHOULD NOT APPROACH GDR TO RAISE ITS PRICES, SUGGESTING THAT THIS COULD AVOID THE NEED FOR IMPOSING A TARIFF. DEPARTMENT OFFICER DECLINED TO COMMENT ON THE DESIRABILITY OF MAKING SUCH AN APPROACH. DEANE ALSO NOTED THAT U.S. IMPORT STATISTICS FOR MONTAN WAX HAVE BEEN CONFUSED BY ERRORS IN CLASSIFYING OTHER DUTY-FREE WAXES AS MONTAN WAX, AND BY NOT DISTINGUISHING REFINED AND UNREFINED MONTAN WAX. HE SAID HE WOULD ASK AGAIN AFTER WE HAD AN OPPORTUNITY TO CLARIFY THE FACTS.

9. USDOC HAS JUST BEEN ASKED TO COMMENT ON H.R. 13412. WE WILL POUCH COMMENTS TO POST AS SOON AS THEY ARE AVAILABLE. LIMITED OFFICIAL USE

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